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THE IMPACT OF ADMINISTRATIVE RESTRAINT

TRAVEL
REPRENTATION & HOSPITALITY
MEMBERSHIP FEES
ENERGY CONSERVATION
PARKING
USE OF TEMPORARY EMPLOYEES
CONSULTING SERVICES



Treasury
Board

Conseil
du Trésor

**TRAVEL
MOTOR VEHICLES
FURNITURE AND EQUIPMENT
REPRESENTATIONAL HOSPITALITY
MEMBERSHIP FEES
ENERGY CONSERVATION
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THE IMPACT OF ADMINISTRATIVE RESTRAINT

Introduction

As part of its over-all restraint policy, the federal government launched a program of administrative review and assessment in January, 1976, to reduce costs in the running of government operations. A Senior Interdepartmental Committee on Administrative Improvements was established to undertake the review and to recommend appropriate changes.

This report by the Administrative Policy Branch of the Treasury Board reflects savings resulting from earlier initiatives on energy conservation and parking, as well as the action on some of the recommendations of the committee of 12 deputy ministers. The first recommendations dealt with areas where immediate action was possible -- travel, taxi use, motor vehicles, furniture and equipment. The resulting restraint measures have been in effect for the last two years and all are in areas where there has been public discussion.

In addition to its immediate recommendations, the committee has initiated a number of longer-range studies on administrative improvements. Some of these have been implemented while others are in the developmental stages.

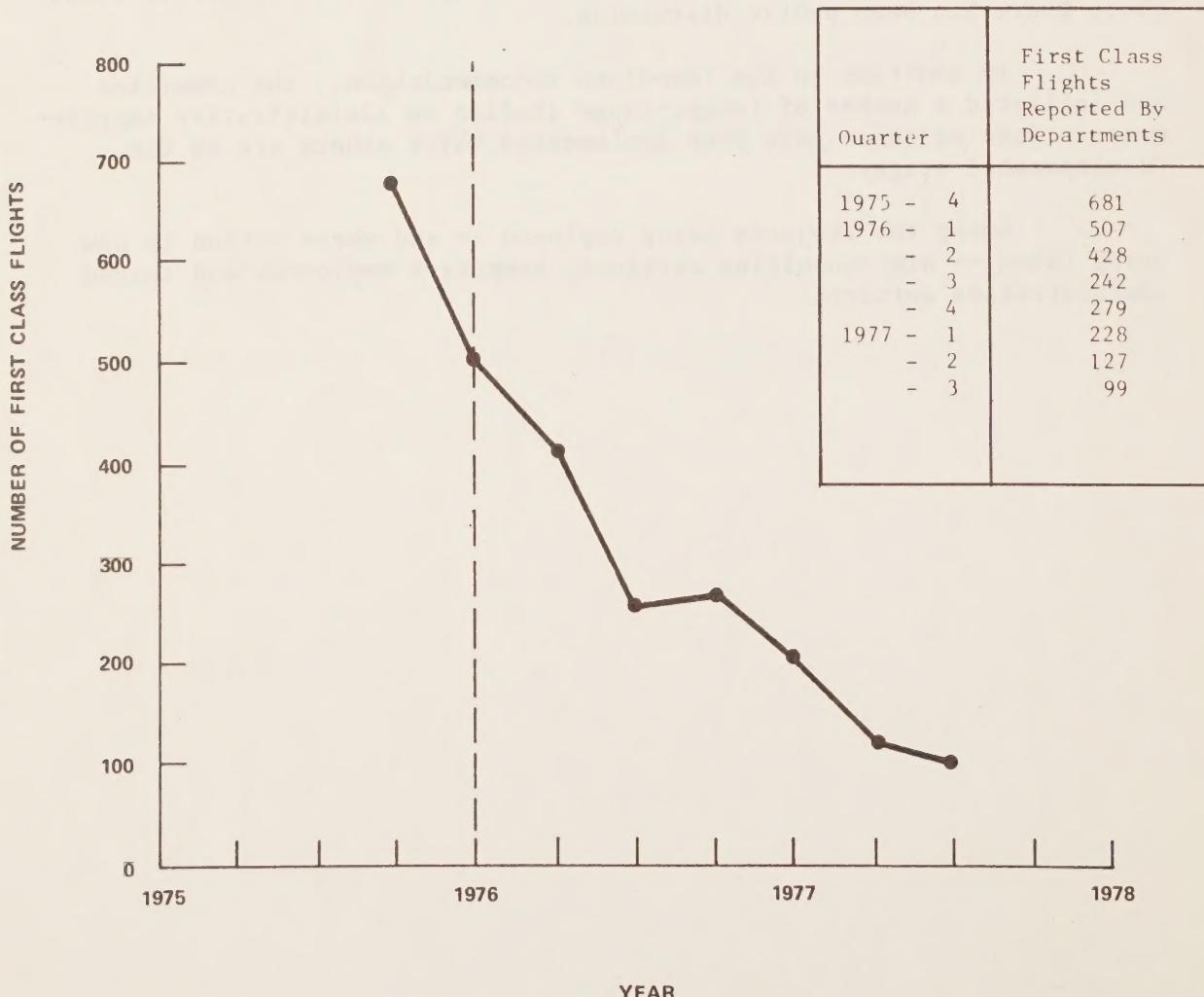
Among the subjects being explored -- and where action is now being taken -- are consulting services, temporary employees and shared administrative services.

Travel

A total prohibition was placed on the use of first-class air travel, except in the most extenuating circumstances, such as diplomatic courier service, excluded for security reasons; medical disabilities, which must be supported by a medical certificate; and emergency travel, when no economy seats are available. Since this restriction was implemented, quarterly usage, excluding diplomatic courier service, decreased from 681 first-class flights in the last quarter of 1975 to 99 first-class flights in the third quarter of 1977. This represents a dramatic reduction of 85 per cent in the use of first-class air travel, as indicated by the table and graph below.

TRAVEL (FIRST CLASS AIR TRAVEL)

— QUARTERLY FIRST CLASS FLIGHTS
REPORTED BY DEPARTMENTS



Another example of the government's commitment to establish administrative procedures which would control government expenditures is the restriction of attendance at non-governmental conferences to one person for each participating department. Additional numbers initially required Treasury Board approval. The introduction of tightened departmental internal controls in respect of conference attendance generally in December 1977, removed the need for Treasury Board approval of attendance at non-governmental conferences, placing justification for the decision in the hands of those who are responsible for program performance. As part of the improved controls, attendance at conferences outside Canada must be personally approved by the deputy head or if authority is delegated by him, by an officer reporting directly to the deputy head.

Credit Cards: In recent years, some departments have increased the use of credit cards for employees who were required to travel on an emergency basis or were in frequent travel status. During his departmental audits, the Auditor General noted that some departments were exercising less than adequate control over these cards. A policy has now been issued and states that in general, corporate credit cards shall not be issued to employees. In those few instances where departmental requirements are such that credit cards are a necessity, these cards shall be issued only on the specific written authorization of the deputy head.

Taxis: Treasury Board direction on taxi usage is an integral part of the Travel Directive. However, until the introduction of the requirement to maintain logs on January 22, 1976, no specific direction existed for departments to identify taxi expenditures separate from total travel.

Departments now are required to maintain and monitor logs of taxi usage as a part of improved internal control. Every taxi trip at public expense is recorded by date, time, destination and cost.

Taxi expenditures, which include any use of taxis for deliveries, vary considerably from department to department. In most departments, annual taxi expenditures in the National Capital Region have been less than \$20 per man-year, but this can be substantially higher in departments involved in frequent consultations with other levels of government, citizen groups, agencies or in those departments which have units in various city locations.

Earlier this year, seven departments with the highest per capita taxi usage in the National Capital Region were requested to assess their internal controls. In each of these departments, it was found that the tighter procedures had contributed to substantial reductions in taxi use. For instance, in one department, taxi expenditures dropped to \$27,000 in 1976-77 from approximately \$80,000 in 1975-76, partially as a result of reduced staff but primarily because of a decreased per capita cost of 55 per cent. A further reduction is anticipated in 1977-78.

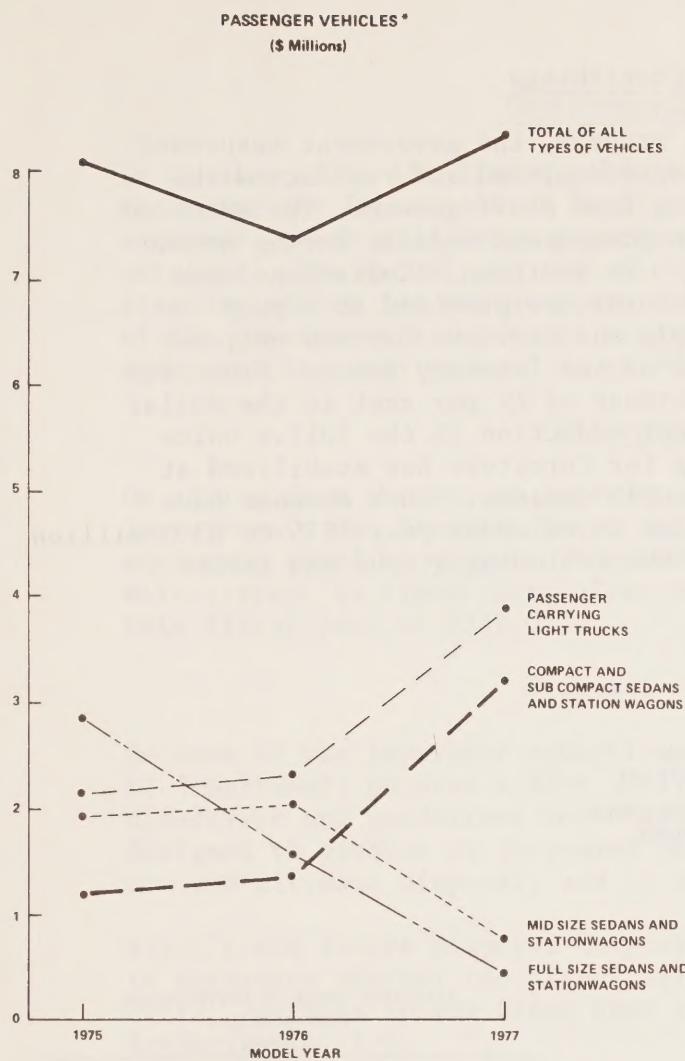
Controls: In addition to the specific restraints on first-class air travel and use of credit cards and taxis, Treasury Board issued a directive specifying minimum internal control requirements relating to travel and relocation expenditures generally. The Auditor General stated in his report for the fiscal year ending March 31, 1977, the implementation of these directives should ensure more efficient control of travel and relocation funds.

Motor Vehicles

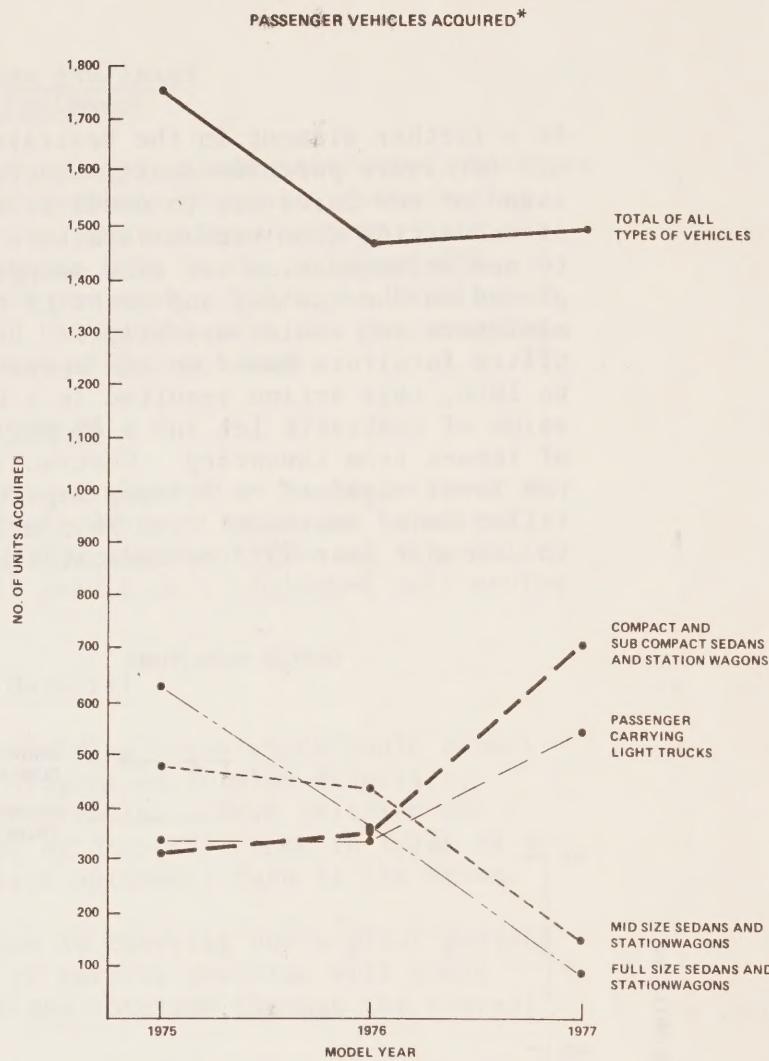
In January 1976, the Treasury Board suspended the scheduled replacement of motor vehicles and strengthened energy conservation measures introduced in 1975. New passenger vehicles, leased or purchased, were limited to compact or sub-compact models unless otherwise approved by the Treasury Board. Exceptions, such as police pursuit cars, are based on load to be carried or task to be performed.

As shown in the following charts, which exclude RCMP vehicles, the suspension of normal replacements resulted in a saving of 7.5 per cent in acquisition costs in spite of an 8.5 per cent increase in prices. Also, as expected, the removal of the suspension on scheduled replacements in November 1976 accelerated the shift to compacts from full and mid-size cars. Between model years 1975 and 1977, acquisition of compact vehicles increased from 306 to 709, while the acquisition of full-size cars dropped from 628 to 90 and mid-size cars dropped from 478 to 151.

These measures have contributed appreciably to the government's energy conservation and expenditure restraint efforts. Vehicle operating records show a saving of 29 per cent in gasoline consumption and 43 per cent in total running costs for a compact sedan when compared with a full-size sedan.



*EXCLUDES POLICE VEHICLES



*EXCLUDES POLICE VEHICLES

Model Year Type	1975		1976		1977	
	Units	\$ 000	Units	\$ 000	Units	\$ 000
Passenger carrying light trucks	340	2,163	335	2,307	549	3,903
Compact and Sub-compact sedans & stationwagons	306	1,135	342	1,483	709	3,247
Full Size sedans & stationwagons	628	2,841	348	1,596	90	459
Mid size sedans & stationwagons	478	1,950	438	2,098	151	755
Total Acquisition	1,752	8,089	1,463	7,484	1,499	8,364

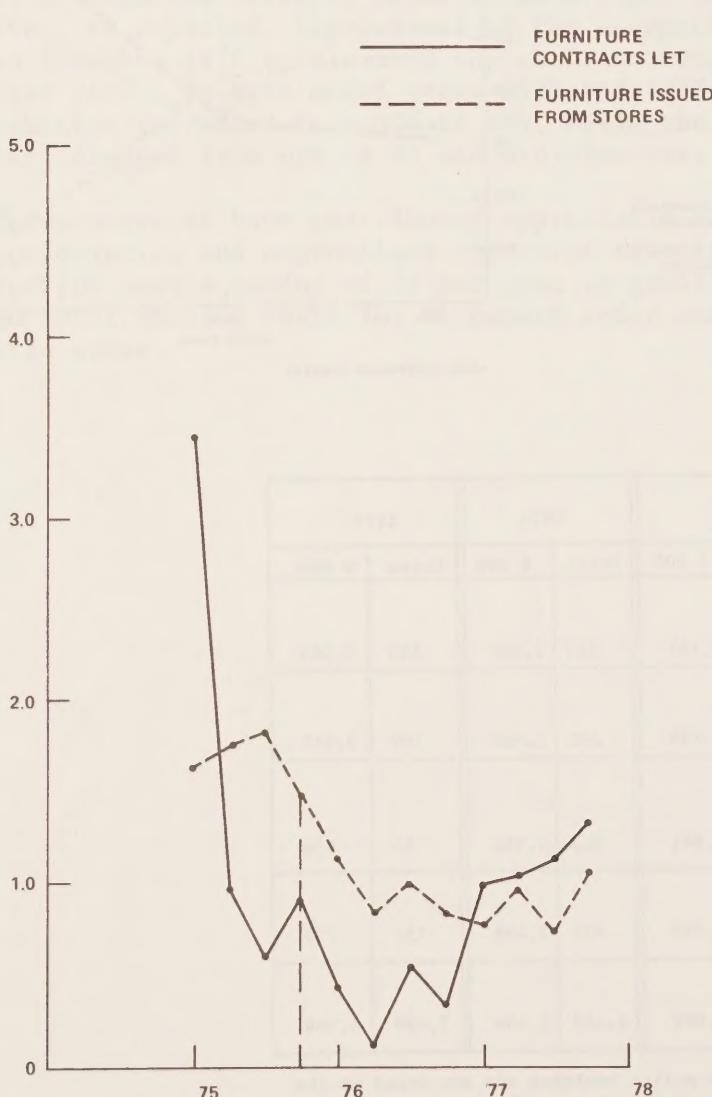
The figures above exclude police vehicles and are based on the average acquisition computed for each model year from the fleet management information system.

Furniture and Furnishings

As a further element in the Restraint Program, the government suspended all furniture purchases until stocks were depleted and restricted the issue of new furniture to needs arising from staff growth. The practice of converting from wooden furniture to government modular during moves to new accommodation was also stopped. In addition, limitations were placed on the quality and quantity of furniture provided to deputy ministers and senior executives. Supply and Services may now only buy office furniture based on the approval of the Treasury Board. From 1975 to 1976, this action resulted in a decrease of 75 per cent in the dollar value of contracts let and a 48 per cent reduction in the dollar value of issues from inventory. Contracting for furniture has stabilized at the level required to satisfy departmental demands. Such demands have fallen under restraint from \$6.6 million in calendar year 1975 to \$3.5 million in calendar year 1977 as indicated by the following graphs and tables.

OFFICE FURNITURE

VALUE OF CONTRACTS LET/ISSUES FROM STORES \$ (MILLIONS)



FURNITURE UNDER TB RESTRICTIONS
Contracts let
(\$ Millions)

Quarter	1975	1976	1977
1	3.4	0.4	1.0
2	1.0	0.1	1.0
3	0.6	0.6	1.2
4	1.0	0.3	1.3

FURNITURE UNDER TB RESTRICTIONS
Issues
(\$ Millions)

Quarter	1975	1976	1977
1	1.6	1.1	0.8
2	1.7	0.8	1.0
3	1.8	1.0	0.7
4	1.5	0.8	1.0
Total	6.6	3.7	3.5

Photocopying Equipment

In January 1976, the Treasury Board introduced an administrative procedure requiring the Department of Supply and Services to review photocopying equipment needs and advise departments on how maximum economy could be obtained. The annual pre-restraint growth rate in the value of DSS standing offers for photocopiers was 69 per cent. Since the initiation of the Government's restraint program, the growth rate for photocopying equipment has been reduced to an average of 6.2 per cent.

Office Equipment

On advice from the Senior Interdepartmental Committee on Administrative Improvements the Treasury Board approved restraint measures in office equipment aimed at variety reduction. The implementation of this policy with respect to typewriters alone will result in a projected cost saving this fiscal year of \$382,000.

Disposal of Materiel

Because of the important reduction in holding costs which could result if departments pursued a more active program of surplus disposals, directives and guidelines were issued recently. These policies are designed to produce an increased level of disposal, both in terms of re-use and ultimate disposal, and to obtain optimum return to the Crown.

Also, Crown Assets Disposal Corporation is carrying out a pilot project to determine whether the direct sale of surplus vehicles will yield better revenues to the Crown than are now obtained through the current trade-in practice.

Electronic Data Processing

In addition to the program of specific administrative measures, government departments have been improving the management of their electronic data processing resources. Prior to the Treasury Board Policy and Guide on EDP, the annual growth rate in EDP costs averaged 27 per cent. The growth rate in EDP man-years averaged 14 per cent for the same period. The policies enunciated by the Treasury Board were instrumental in reducing actual growth rates to 16 per cent and 9 per cent respectively. In dollar terms for 1976/77, this represents a reduced annual expenditure of approximately \$67 million from expenditures projected at the pre-policy growth rate of 27 per cent. Included in the improvements was the centralization of procurement, which has enabled the government to obtain equipment discounts ranging from 25 per cent to 50 per cent. In addition to these savings, in March 1976 the government established a capital loan vote so that required EDP equipment could be purchased rather than rented. Through this action, potential long-term savings were identified. In fiscal year 1976/77 on expenditures of \$7.7 million dollars the Crown will realize net savings of \$3.25 million. Similar savings are projected for fiscal year 1977/78.

Telecommunications: Departmental programs for restraining telecommunications expenditures produced savings of approximately \$400,000 for 1977.

Representational Hospitality

The government's policy is to extend hospitality only when it will facilitate the business of the Government of Canada or when it is considered essential. The objective of this policy is to ensure prudence by establishing standards of economy as well as the specific circumstances under which such hospitality can be provided. These limitations are also designed to minimize the opportunity for personal benefit to public servants from hospitality provided by their departments.

The 1976-77 figures in the Public Accounts of Canada total \$6.3 million. Indicative of the nature of the government's hospitality expenditure is the fact External Affairs, Industry, Trade and Commerce and Secretary of State, the three departments most involved with government protocol and foreign operations, incurred approximately 90 per cent of the expenditure reported in the Public Accounts for 1976-77.

It should be emphasized that hospitality is generally provided to non-public servants, under the following circumstances:

- when foreign representatives visit Canada;
- when distinguished Canadians are being honoured for exceptional service;
- when foreign or private sector dignitaries attend ceremonials;
- when they serve without pay or are involved in discussions;
- when delegates attend formal conferences;

Food or alcoholic beverages may not be served at public expense to public servants attending planning or technical meetings and departmental conferences, except under most unusual circumstances and then only if the function is personally hosted by the minister or deputy head concerned. Hospitality to public servants is generally limited to occasions when they are required to attend functions with non-public servants as part of their duties or for reasons of courtesy.

Limitations on delegation of authority to approve hospitality have been built into the new Directive, effective March 1, 1977, to ensure strict control at the most senior levels. The deputy head must personally approve hospitality exceeding \$100 in total at a function at which the number of federal employees exceeds the number of non-employees, or when hospitality is extended in an employee's private residence, as well as any function at which prescribed per capita costs are exceeded. Invitations to spouses of persons to whom hospitality is being extended requires ministerial approval.

Membership Fees

The Treasury Board has issued directives to departments on the payment of membership fees on behalf of employees. In general, payment of membership fees may now only be made when membership in an organization is a requirement of collective agreements. Public funds are not extended for memberships in organizations which are primarily social, recreational or of a fraternal nature. In addition, Treasury Board authority is now required for any membership for which the annual cost exceeds \$500, and in fact, since the promulgation of the new directive on July 1, 1977, only five memberships over \$500 have been approved. These memberships relate to organizations such as the Conference Board.

Other Restraint Initiatives

Energy Conservation: The federal government's internal energy conservation program, "Save 10", has cut almost \$30 million from the government's energy bill.

The conservation measures cut federal energy consumption between 8.5 per cent to 9 per cent from the base year of 1975-76, in departments representing approximately 99 per cent of government energy use. This is an energy equivalent of about 1.4 million barrels of oil, sufficient to heat about 5,000 homes.

The energy conservation measures adopted by federal departments include reduced lighting levels, improved heating plant efficiency, lower heating levels in buildings during non-working hours, turning off heating, ventilation and air conditioning systems when buildings are not in use, and checking the electrical, heating and air conditioning systems of buildings to avoid energy losses.

The program has also provided the opportunity to examine energy use within the government. Approximately 55 percent of government energy consumption is used to heat offices, residences and other general accommodation. To make additional energy savings in this area, some \$5 million was spent to improve insulation in government-owned housing during 1977-78. This expenditure will be recovered in fuel savings and will move the government closer to its target of 30 per cent reduction in energy consumption for government accommodation.

As a further energy conservation measure, the government has already adopted the June 1977 Supplement to the National Building Code for energy efficiency in new buildings as a standard for the design of all new federal facilities.

Parking: The Treasury Board has developed a policy on employee parking which embodies the thrust of the energy conservation program and the desirability of using public transit. Within identified core parking

areas in all metropolitan centres, the government has been charging employees for the use of space. In allocating spaces within these guidelines, departments use systems which favour car pools, employees with permanent medical disabilities and those who frequently work beyond normal working hours. Parking revenue for the fiscal years 1975/76 and 1976/77 and the first 9 months of 1977/78 amounted to more than \$4 million. In addition to charging for the use of parking spaces, the government has been progressively reducing the total number of parking spaces which are provided to employees to achieve a target ratio of 1:20. Since implementation of the Parking Policy, the government's annual parking space leasing costs have been reduced by more than \$176,000.

Other Current Concerns

Use of Temporary Employees and Consulting Services: A policy which will have the desired effect of ensuring that the services of temporary help agencies are only sought where temporary help is truly required and will bring an end to those situations where temporary employees may have been employed for long periods of time. In addition the Treasury Board is reviewing practices relating to contracts which are let with management consultants to determine what improvements are needed to ensure the most efficient use of the resource. (paper attached)

Shared Administrative Services Program: Areas within government where common administrative services might be shared by departments and agencies are also being reviewed to consider whether integration of services might result in a net saving to the taxpayers of Canada.

Conclusion

As well as achieving identifiable savings, these measures have had a useful psychological impact on the Public Service. All departments and agencies are aware of the government's desire for restraint. Further, the activities of the Senior Interdepartmental Committee on Administrative Improvements has provided a forum for the review of policy concepts prior to their development and promulgation. This has resulted in a spirit of cooperation which has ensured that when introduced, policies are supported at all levels as a result of fuller understanding of the intent, and rationale.

It is clear that the restraint measures introduced to reduce the level of government administrative expenditures, particularly those implemented to induce short-term savings, are achieving their desired effect of making public servants aware of the need for restraint. The number of first-class flights taken by public servants; taxi usage; the number and size of passenger cars and stationwagons being purchased; the quantity of office furniture being purchased or issued from stocks; and the quantity and sophistication of the photocopying and other equipment purchased or rented have all been reduced. Further, economies are being achieved by improving the planning and control of telecommunications and through close evaluation of departmental needs for electronic data

processing, including the sharing of computer-related resources between departments.

Further areas are presently being reviewed and the potential savings evaluated for possible implementation within the next year.

The data presented reflect the government's determination to reduce expenditures and the support achieved from all levels of the Public Service.

USE OF TEMPORARY EMPLOYEES AND CONSULTING SERVICES

Use of Temporary Employees and Consulting Services

Introduction

Temporary employees and consulting services expenditures are part of the much larger item Professional and Special Services which, in the 1978-79 Main Estimates total \$1.4 billion.

A substantial portion of this expenditure represents payments to provinces and institutions for the provision of education and health services for various programs. For instance, payments for educational services to be provided to Employment and Immigration, Indian Affairs and Northern Development and National Defence alone are expected to amount to some \$500 million in 1978-79. Also, consistent with the government's philosophy of privatization, Professional and Special Services includes procurement from the private sector of a variety of services. These range from trades, such as building security and maintenance services and payment to operators of small post offices, to sophisticated requirements such as the purchase of satellite communication services and contract payments for research and development. Also included under this heading are interdepartmental payments which would be offset by related credits for common services ranging from contract administration, accounting and auditing services to ice reconnaissance and meteorological services provided by Fisheries and Environment for Transport.

Two items, representing in total less than 10% of Professional and Special Services have been the subject of recent public concern. These are the use of temporary employees and consulting services.

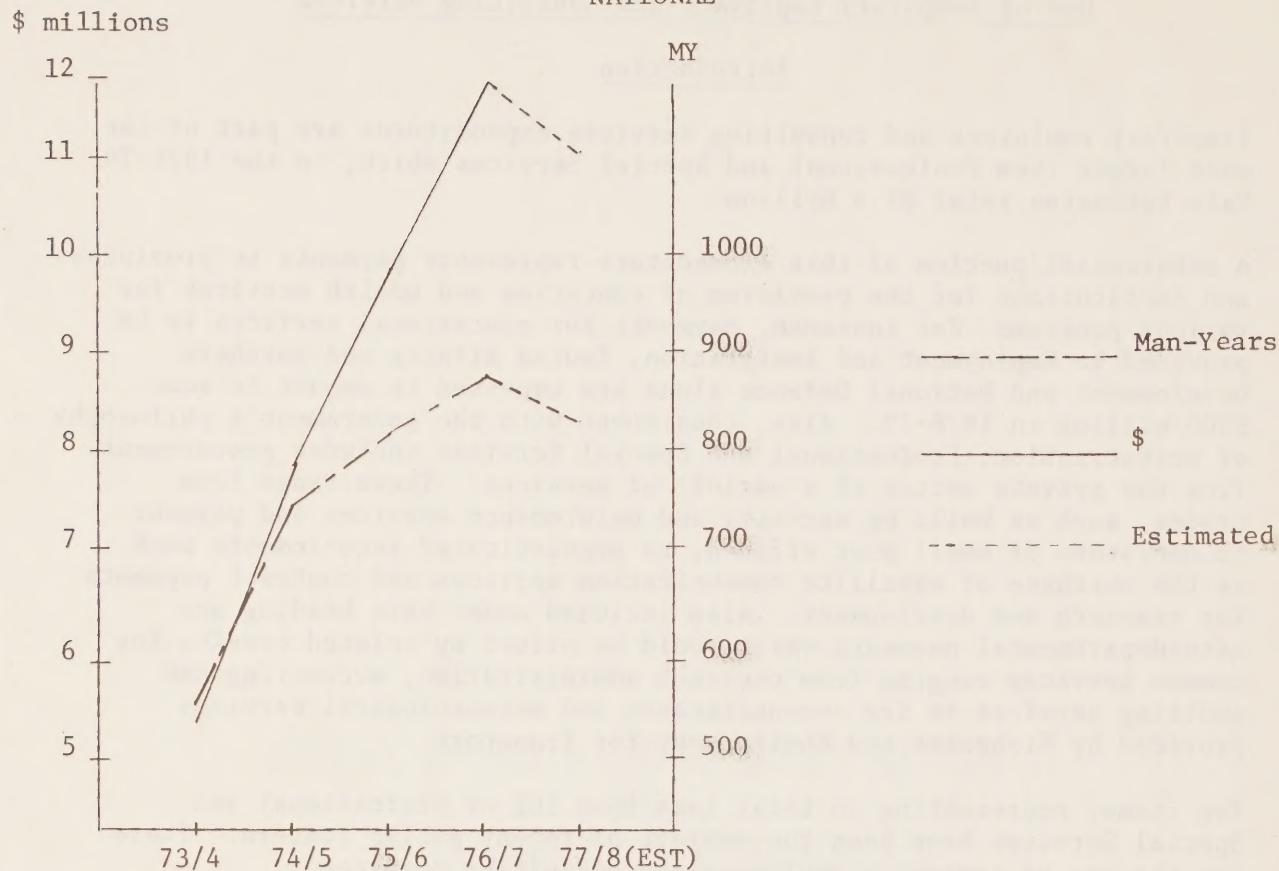
Use of Temporary Employees: Temporary help company employees are used when a public service vacancy, or a sudden workload increase, occur without sufficient notice for normal staffing action (whether for term or permanent personnel) to be completed. Under the policy and guidelines recently issued by the Treasury Board, departments must make every effort to meet the need through internal resources before turning to the temporary help agencies.

The government's use of temporary help company employees over the past five years in nine large departments representing 60 per cent of the total expenditure is summarized in the table and illustrated in the graph below. The graph suggests that in the first four years, the acquisition of temporary help was increasing rapidly but that this trend has been reversed with the introduction of expenditure restraints.

Further, to ensure the appropriate use of temporary help employees within the National Capital Region where more than 70 per cent of the usage of temporary help has occurred, the Treasury Board issued Circular No. 1977-57 setting out policy and guidelines to be followed by departments and agencies. The policy has three principal features: maximum use of internal resources; contracting channelled into a single agency; and, a time limit on temporary employment.

Use of Temporary Help
Employment Agencies
(9 Major Depts)

NATIONAL



DEPT	1973/4		1974/5		1975/6		1976/7		1977/8(EST)	
	\$ 000	MY	\$ 000	MY	\$ 000	MY	\$ 000	MY	\$ 000	MY
ENV	1,371.4	124	1,900.0	158	2,500.0	184	2,800.0	181	2,300.0	148
DOT	698.1	78	1,204.2	116	1,685.0	144	2,232.6	176	2,152.4	164
DPW	451.0	50	663.9	65	956.1	82	2,097.2	136	1,693.1	122
DSS	450.8	35	589.2	63	756.3	71	1,306.2	113	1,682.5	142
ITC	394.0	41	693.2	84	1,206.5	109	987.0	79	1,093.8	79
NHW	494.6	53	896.4	85	1,018.2	88	1,113.1	83	1,005.8	75
DREE	907.3	110	1,070.4	95	807.4	65	629.1	50	559.9	45
Sec State	522.5	62	819.5	84	819.6	70	647.6	51	512.7	48
POD	20.4	2	153.3	11	117.1	9	135.5	9	155.6	10
Total	5,310.1	555	7,990.1	761	9,866.2	822	11,948.3	878	11,155.8	833

The policy reaffirms the government's desire to make better use of existing resources before considering the use of outside help. Where it is not possible to obtain administrative support staff through transfers, reassessments, acting or term appointments or by rearranging priorities, departmental managers may use the services of temporary help companies. Commencing April 1, 1978, the Department of Supply and Services will become the sole contracting authority for all temporary help services and will enter into standing offer agreements with a sufficient number of companies to meet demands of all government departments and agencies. The standing offers will be placed with those companies who can provide, at competitive rates, clerks, stenographers, secretaries, typists and office composing equipment operators that meet qualification standards set out by the Public Service Commission.

DSS now is obtaining estimates of departments' needs for the coming fiscal year and will be inviting proposals from the industry.

The third feature of the policy is a limitation of eight weeks on one assignment. This will preclude difficulties with the collective bargaining provisions of the Staff Relations Act and will permit staffing action through the Public Service Commission.

The implementation of the policy will be closely monitored and a record-keeping system will be established to permit the collection of more consistent and comprehensive data than has been available in the past. On the basis of data collected during the first year of operations, the policy will be evaluated and adjustments will be made to achieve greater effectiveness.

Consulting Services: In 1976-77 Management Consulting and Contract Research totalled \$81 million representing 7 per cent of the total Professional and Special Services Expenditures. In order to ensure consistency in reporting and improve the related expenditure controls, a review of the government's practices in the procurement of consulting services generally is being carried out.

The main outcome of the review is the development of a comprehensive policy and guideline for consulting and expert services. The objective is to establish within the Public Service, practices and procedures that will be consistent with the fundamental principles of the government's Contracting Policy regarding achievement of best value and fairness in the selection of contractors.

In addition, a system of record keeping will be introduced, along the lines that they have been established for temporary help services, to provide consistent and comprehensive data on the government's use of these services.

